Chapter III

Free From Parental Control and Professors, Too: Young Singles Pursue the Unlimited Opportunities of the New Economy

The transition from student (high school, vocational, junior college, college/university) to young adult entails the balancing of a new professional career/job and active social life with the responsibilities of financial independence. In this chapter, a representative mix of Young Singles (25 to 34 years old) from Metropolitan Washington, D.C. are examined as they participate in a rapidly growing regional economy and adapt to the financial challenges of a soaring real estate market. Overall, the socio-demographic characteristics of the participants represent a broad group of white-collar clerical and professional occupations with a wide educational range. The median age is 28 years old with more men (59%) than women (41%). Like the general profile of the D.C. Metropolitan suburbs, the group is primarily White with almost one-fourth (22%) minorities and very highly educated; nearly two-thirds (63%) have a college degree and nearly one-fourth (22%) have a graduate degree. Not surprisingly, the median income is moderately high, nearly $50,000, ranging from less than $20,000 to over $90,000. Significantly, all expressed a strong desire to own their homes, both to control the cost of spiraling rents and as a major asset-building investment. Even so, only about one-fourth (27%) are homeowners—evenly split between condos and townhouses. This reflects the problem of housing affordability in the region and the geographic mobility of this highly educated pool of workers.

As an example of the "post-industrial city,"[1] the Metropolitan Washington, D.C. area (Northern Virginia, District of Columbia, Maryland) was selected for its dynamic and rapidly growing metropolitan economy (mix of high-tech, public sector, consumer services) in the Mid-Atlantic States region. By attracting highly educated white-collar professionals and unskilled blue-collar laborers, it has become the engine for enormous demographic and spatial growth of the Metropolitan Washington, D.C. area—especially its proliferating suburbs and exurbs. In addition, these conditions have attracted an unprecedented influx of blue- and white-collar immigrants, who have contributed to the sizzling housing market—one of the fastest growing and most expensive in the nation. The "effect" of escalating housing prices on individual attitudes toward spending, saving, and investing offers an important methodological "control" for comparisons with other project participants residing in the lower cost metropolitan areas of Rochester and Orlando.

The social and cultural forces that profoundly shape the consumer credit and consumption experiences of Young Singles differ sharply from their parents' generation. This is due to four key factors. First, the traditional Puritan values ("*Saving for a Rainy Day")* that were passed on to their parents (Mature Families of Chapter 5) by their grandparents (Seniors of Chapter 7) have not been embraced by Young Singles. Second, this resistance to adhering to a strict personal budget based solely on current income—the "cognitive connect"[2]—is a pattern that was reinforced in college with its debt-based lifestyle (featuring escalating student loan obligations) that promotes immediate gratification as reported in Chapter 2. Third, relatively high starting and early-career salaries among young adults who have not experienced major macro-economic fluctuations (high inflation, employment loss, falling property values) have created a heightened sense of optimism about their economic resources, which is reflected in their high debt obligations. Lastly, soaring real estate prices have shifted their focus from long-term investment planning to allocate much more of their income to the purchase and maintenance of a home, condo or townhouse.

Not Broke But in Debt:

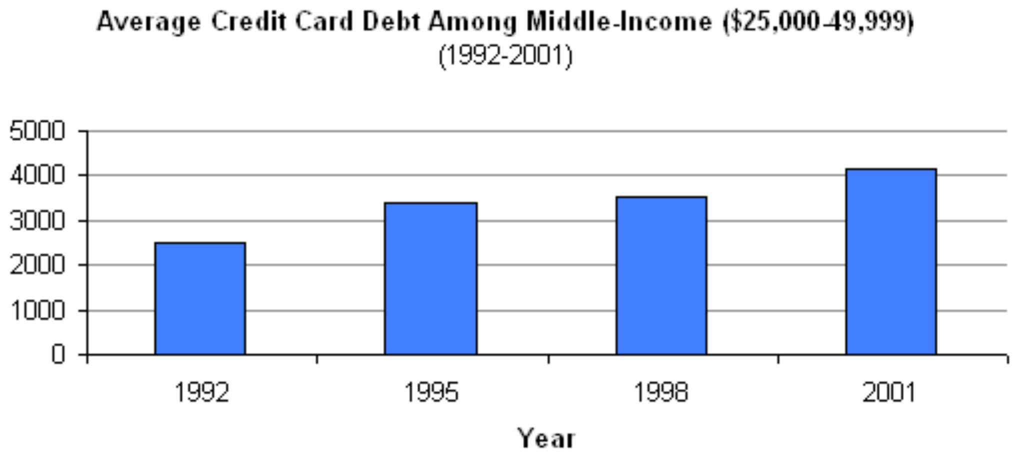
Rising Expectations and Negative Cash Flow

The most significant financial decision affecting future wages of young adults is the decision to attend college and to acquire the job skills for pursuing a professional career. As shown in Table 1, the economic returns to high school educated, blue-collar workers have shrunk significantly—especially among unionized, male workers.[3] This decline has been most pronounced in the 1980s and early 1990s. For example, the average hourly entry wage of high school educated men in 1979 was 75.9 percent of college educated men (who averaged $16.75 per hour); the proportion for entry-level women with a high school degree was 70.9 percent of the $13.25 per hour earned by college educated women. By 1995, the wage rate for high school educated men had fallen to 59.8 percent of $15.98 per hour for college educated men, and dipped to 56.3 percent of $18.64 in 2003; women fell at a similar rate from 55.4 percent of $14.68 in 1995 to 55.2 percent of $16.20 in 2003 (all reported in 2003 dollars).[4]

Over the last 25 years, the financial returns to higher education have benefited white-collar and professional workers. For example, the annual salary of all males between 25 and 34 was $34,051 in 1992, rising to $45,756 for those with at least a bachelor's degree; young women's salaries were lower at $27,834 and women with at least a bachelor's degree averaged $36,177. In 2001, all young males averaged $35,778 with college-educated workers averaging $48,782; in 2002, the average fell slightly for all males ($35,487) and rose slightly for the college educated ($48,955). Among women, the income trend is moderately more favorable as all young women earned $30,093 in 2002 while college educated workers earned $40,021.[5] Today, a recent college graduate in a major metropolitan area can expect a starting salary of almost $39,000.[6] As explained in Chapter 2, however, the cost of attending college has nearly doubled since 1990, with most of this increase financed with student loans.[7] And, rising costs are not the only burden borne by recent graduates. According to Nellie Mae, when it asked its borrowers in 2002, *"To what extent do you feel burdened by your student loan payments?"* 55.5 percent reported that they were *"Burdened"* compared to 17.4 percent that reported that they were "*Not Burdened.*" Similarly, when asked, *"If you could begin again, taking into account your current experience, would you borrow:"* the response was 54.4 percent *"Less"* versus 44.7 percent "*About the Same.*"[8]

Over the last decade, young adults have endured more frequent job interruptions such as the recession of 2001 while the rise of part-time and contingent work has reduced income and subsequently increased dependency on consumer credit.[9] Furthermore, sizzling real estate markets have made Young Singles more vulnerable to rising rents. Harvard University's Joint Center for Housing Studies reported that 3.2 million households earning between $17,500 and $50,000—which includes the median earnings of Young Singles—spent over half of their income on housing expenditures (rent, mortgage) in 2001.[10] This is confirmed by the U.S. Department of Labor's Consumer Expenditure Survey data, which reports that young adults spent over 10 percent more of their incomes (in inflation adjusted dollars) on rent and on transportation between 1992 and 2002.[11] In addition, large purchases, such as automobiles and entertainment systems, are increasingly financed by young adults almost entirely on credit. The result is spiraling consumer debt obligations. For example, according to a recent analysis of the 1992, 1995, 1998 and 2001 Survey of Consumer Finance surveys, credit card debt among young adults (25-34 years old) with an annual income between $25,000 and $49,999 jumped from $2,510 in 1992 to $4,152 in 2001.[12] See Figure 1. Due to measurement flaws and data collection biases, these debt levels are probably understated by 25 to 40 percent.[13]

Figure 1



Source: *Demos calculations based on data from 1992, 1995, 1998, and 2001 Survey of Consumer Finances (SCF), cited in Tamara Draut and Javier Silva, Generation Broke, The Growth of Debt Among Young Americans, New York: Demos, 2004, page 4.*

Not surprisingly, the Survey of Consumer Finance data indicates that the average debt service-to-income ratio for young adults has jumped from 19 percent in 1992 to 24 percent in 2001; this trend is understated due to rising rents, car leases, and other consumer borrowing ("payday" loans, rent-to-own) that are not recorded as formal "debt."[14] As a result, the proportion of young adults in debt hardship—defined as debt payment to income of over 40 percent—jumped from 7.9 percent in 1992 to 13.3 percent in 2001. As shown in Table 2, only the highest income category ($50,000 - $74,999) registered a decline, from 7.8 percent in 1992 to 5.2 percent in 2001. The middle income category—between $25,000 to $49,999—doubled from 6.7 percent in 1992 to 13.4 percent in 2001.[15] It is in this context that consumer bankruptcy trends have experienced a dramatic increase among young filers—with young adults having become the second largest filing group after 35 to 44 year olds.[16] This is significant since they have had the least amount of time to accumulate consumer debt since graduating from college.

To Save or Not To Save:
The Waning Influences of the Generation of Scarcity

Young Singles are coping with the economic reality of a credit-dependent lifestyle while struggling with the cognitive conflict over the traditional values that shaped their parents' and grandparents' attitudes toward saving and debt. Indeed, the influence of these generational influences of thrift and saving on their cognitive views toward spending is striking. For example, over 90 percent of the Young Singles participants report that saving is either *"Very Important"* or *"Important"* at this stage of their lives. The past experiences of scarcity resonate through many personal anecdotes. For instance, Justin, a 29-year-old architect who is originally from Lancaster, PA recounted:

> *[My grandfather] was one of seven and they had no money whatsoever so the men would scarf down food because that was [all they had]. Whatever was in front of them… whoever got [to the food], got it first. I honestly have never seen a meal last more than five to 10 minutes. So, there are the memories that they have [of scarcity]. I think their general attitude towards money is that it doesn't grow on trees… My grandfather would empty his pockets at the end of the day and [with the change] buy a savings bond at the end of every month with it…*

For Glenn, a 31-year-old analyst with an international organization in Washington, D.C. and originally from Fairfield, CT, his childhood attitudes toward saving were strongly shaped by his mother: *"She's always the type of person who has a rainy day stash. She puts money in this location where she says if she needs it for an emergency [when] she doesn't have any cash on her [then] she goes into her little cup or where ever she keeps it… it's her rainy day money."*

For some Young Singles, the generational ethos of frugality is a good attribute that, when taken to an extreme, can become an irrational "end" rather than the "means to an end." As Tanya, a 29-year-old African-American public employee of Prince Georges' County, MD, relates about her father, a D.C. building contractor:

> *One thing I've noticed in my family is that sometimes saving for that rainy day is almost a detriment [because] you put things off. My dad is very much like this. He's a very good saver and I admire him for that but sometimes he doesn't do things that he should do for himself. [Such as] buying a new car, he just keeps repairing the old one to the point where it's beyond repair or putting off house repairs… he has the money but he doesn't want to spend it because [life] could get worse, there could be worse times coming.*

[Historically], you had liquid assets [for] those rainy days. Now I think in society you have your credit limit… so if they have an emergency they can just swipe it.
-Brian, 26

The generational experience with material scarcity has profoundly influenced older cohorts' views toward money, especially the time horizon and "earned" rewards for planning. This perspective is explained by Helen, a 34-year-old insurance agent from Arlington, VA:

> *Both of my grandfathers were veterans of World War II and one set of grandparents was very much affected by the [Great] Depression… especially my grandmother, she's a wonderful woman and she's incredibly generous, kind and giving but she has a tendency to focus so much on money. With regards to purchases, to providing financial opportunities for her grandchildren, whatever. She doesn't keep tabs on where her money goes in terms of providing money for her grandchildren per se but everything is qualified with regards to money. I've often times asked her about it and it can be a very sensitive topic.*

Of course, not all members of this generation are culturally averse to spending money on themselves. As 27-year-old Jennifer, a criminologist in Chantilly, VA related:

> *My grandparents didn't have a lot of money when they were growing up. My grandfather was in the military and my grandmother didn't work since she was raising four kids on her own. So they had to watch their money a lot. He was in the military for 27 years so he has a retirement plan [and] his second job has a pretty big pension… Now they have all these benefits and they do have a lot of money. So they spend a lot more and they take every opportunity to take trips and do things because they feel like it's their time now to spend money.*

The waning influence of these generational attitudes is reflected in the conflicting views toward saving and spending. For example, 26-year-old Eryn, a first-generation college graduate from Virginia Beach, discussed her views of the contemporary influences of traditional values toward thrift and frugality*: "I think today it means that* *because everything in this country is so consumption minded that anything that you save is almost the same as earning or working for it because so many people just spend, spend, spend as soon as they get any money.*" Similarly, 26-year-old Brian, a biologist in Manassas, VA explained:

> *[Historically], you had liquid assets [for] those rainy days. Now I think in society you have your credit limit. I think people just leave a buffer on their credit limit available, so if they have an emergency they can just swipe it. They don't worry about saving for a rainy day. It is just the [available] credit that they need for a rainy day.*

These remarks highlight the changing socio-historical forces that shape and transform the role of consumer credit and debt in American society. As Glenn explained: *"My grandparents' attitudes toward savings were largely shaped by the Great Depression, and their attitudes are different from my parents, and [my parents' attitudes] are definitely different from mine."*

Out of College and Into Debt:

The Erosion of Puritan Values and the Rise of the Cognitive Disconnect?

The cognitive attitudes of young adults are fundamentally shaped by past familial influences as well as formal school experiences and the realities of life in the 'new' economy with its ubiquitous mass marketing campaigns. Although more than 90 percent of the participants responded that *"At this stage of [my] life… saving money is"* either *"Very Important"* or *"Important,"* this attitudinal priority is not mirrored in their behavioral responses; only 52 percent reported devising a monthly budget and fewer reported adhering to it. Furthermore, among those with budgets, about 40 percent do not specify any savings such as for investments. This lack of budgetary discipline is facilitated by the role of consumer credit in their daily lives. Nearly 70 percent described consumer credit as either *"Important"* or *"Somewhat Important"* in their monthly consumption decisions. For instance, Peter, a 32-year-old book editor from Louisville, KY, has no student loans and minimal consumer debt: *"I may buy on credit* *towards the end of the month if cash is tight…I have purchased many things I could not pay for with cash… and have taken cash advances from credit cards to pay bills [on occasion]."* Elaine, a 33-year-old researcher confides: *"I'd rather not use it but it really makes things accessible. With 0 percent APR and time to pay it off, it has become much easier [to borrow]."*

Unlike older life stage groups, their lack of concern over minor financial expenditures—implicitly rejecting *"A Penny Saved is a Penny Earned*"—clearly distinguishes their spending behavior and underlies their inability to save effectively. As noted by 31 Glenn:

> *No, I'm not big on [spending] rules. It's a very puritanical philosophy that still exists in our society. Do you need to be miserly to be a prudent manager of your money? That may be true if you look at a few pennies per day of interest earned or not earned, accumulated over a time, sure. But if you're looking at a budget or how you spend your money, I'm not going to look at expenses under $5 in my daily expenses. The places I'm going to look to cut [are much larger] expenses, you know. It doesn't make sense to me [otherwise].*

As a result, smaller daily "wants" that have become intertwined with lifestyle "needs" are rarely recorded/tracked on a monthly basis and the cumulative costs of these "routine" indulgences are seldom acknowledged. This is illustrated by Jason, a 29-year-old college-educated technology specialist: *"You buy a Starbucks here and there… next thing you know you're spending $8 a day on Starbucks that adds up."* Joseph, a 33-year-old graduate student, notes the impact of consumer credit in his rational calculus as it undermines the cognitive connect: *"When spending cash, there is a moment of reflection [that occurs for me] where you are considering where that money came from, the effort that went into obtaining that money. So you think, do I really need that $4 latte? Whereas with credit, you think, I'll worry about it at the end of the month."* Hence, these purchases are viewed as "off-radar" spending entitlements–the *"Latte factor"*–so long as they do not exceed self-imposed limits that are as high as $20.

No, I'm not big on [spending] rules.
-Glenn, 31

The generational changes in attitudes towards spending and saving may appear nuanced but have profound ramifications. For instance Rosalyn, a 25-year-old college-educated communications specialist from San Diego, CA, who has been living in Northern Virginia for several years, explains:

> *I'm a bargain shopper [in order] to save money, but being a bargain shopper can be a bad thing too. I think the difference between a spender and a saver is if you see something on sale and its half off… a saver is someone who is excited because they got half off… a spender is someone who says, now I can get two.*

It is not a surprise, then, that 71 percent of the participants report that *"parents/family [still] attempt to influence [my] consumption behavior"* as their generationally-defined "needs," "wants," "desires" become more distinct from their parents' and grandparents'. Furthermore, as a more risk tolerant generation, Young Singles are more likely to recognize the powerful economic leverage of credit and recast their behavioral views toward "good" versus "bad" debt in a more rational, cost-benefit analysis. As Jason, a transplant from Crystal Lake, IL explained:

> *Debt is debt. I don't see how a house is a good debt versus [bad debt]. Look at it mathematically. You can have debt and investments at the same time. If you're reasonably confident that over 10 years your investments are going to out gain whatever debt you have at whatever the interest rates are, then that debt is fine.*

The Financial Pressures of Starting From Scratch:

Young Singles Balance the Reality of Cash Flow with Rising Home Prices

One of the most powerful forces shaping attitudes towards savings and debt among Young Singles is the booming regional housing market; only 27 percent of the participants are home owners. Significantly, both groups—owners and renters—share the popular view that purchasing a home simultaneously fulfills the need for shelter while serving as an attractive investment vehicle. Furthermore, the rapid appreciation of the D.C. Metropolitan housing market over the last decade has engendered a psychological receptivity to high levels of consumer debt (student loans, credit cards, auto loans). Not unexpectedly, the median down payment of five percent reported by the study's homeowners reflects the dual reality of booming regional housing costs and their lack of saving discipline and success.

The reality of accumulating high financial liabilities together with the building of a personal investment portfolio underlies the emergent view of consumer debt as a dual economic relationship. That is, generational empowerment (accumulating wealth such as homeownership) and impoverishment (high debt service for past lifestyle needs) fundamentally shape this group's behavior toward rising levels of debt. Among older age cohorts, such as Empty Nesters and Seniors, strategic investment decisions are typically delayed until household indebtedness is "retired," or at least until "bad" debt is retired. Today's Young Singles, in contrast, are eager to jump into the home ownership market despite rising property values and an average of more than $14,000 in total consumer debt. As a result, new loan products such as interest-only loans appeal to this group by contributing to their social status and wealth accumulation goals.

The equity in my house provides a little comfort blanket; and you definitely take that into consideration in your consumption habits.
-Jason, 29

The current generation of Young Singles expects bountiful career opportunities in the technologically driven "new" economy while acknowledging that economic forces outside of their control may disrupt the achievement of personal objectives. Although some experienced major financial setbacks during the stock market decline of 2000, most view home ownership as a financial security blanket that can insulate them from capricious economic trends. This increases the psychological importance of home ownership as a stabilizing factor in an increasingly uncertain world. For instance, Jason commented that, *"the equity in my house provides a little comfort blanket; and you definitely take that into consideration in your consumption habits."* This "wealth effect" is especially important to Jason, an airline employee, since he faces regular job uncertainty while repaying $26,000 in consumer debt. For 29-year-old Jeremy, the erosion of corporate loyalty underlies his increasing economic insecurity, *"it's no longer 40 years and the gold watch… there's no sense of loyalty between you and the company you work for [anymore]."*

Most Young Singles commented enthusiastically about the soaring Metropolitan Washington D.C. area housing market. This newfound financial anchor, however, entails greater spending and less liquid saving for unexpected financial demands (e.g. job loss, medical expenses). Also, many participants confided that they were less motivated to begin long-term financial planning due to the housing-driven wealth effect. As a result, very few are financially prepared for the possibility of short-term housing flattening or depreciation and the subsequent budgetary response of increasing personal savings that would be required. Rosalyn, a 25-year- old native of San Diego, CA, who has resided in the Washington Metropolitan area for the last few years commented: *"I just bought my condo before it was too late to enjoy [housing appreciation]. I'm assuming that it is going to go up. Don't even scare me. It's already gone up and so I'm happy about that."* When probed about the possibility of housing depreciation, 33-year-old Elaine optimistically replied, *"maybe the real fact is that if this economy continues to get better and better, then we may never have the bubble burst."*

Although home ownership is the primary preoccupation of this group, the vast majority are renters, and their anxiety is exacerbated by sharply rising housing prices that constrain their opportunities for home ownership. For example, Helen, who rents a three bedroom apartment in Arlington, VA for more than $1,500 per month, commented: *"I guess I could've afforded a house in Alexandria – but it would've only been a two bedroom…and I have a 6-year-old and a 7-year-old, and there is no way [that would've been possible]."* Helen's situation is worrisome since her annual, pre-tax income is less than $50,000, which indicates that housing expenses exceed 40 percent of her income. With approximately $15,000 in consumer debt, higher rental costs may preclude Helen's ability to enter the real estate market and thus the possibility of accumulating home equity in the future.

Smart but Needy:

Generational Optimism and the Challenges of Financial Planning

A defining feature of Young Singles is their optimism about the future—they expect career success and upward social mobility. Although they typically have not experienced long-term job loss, their perception of diminished company loyalty has produced a short-term orientation towards early career advancement. For example, the primary strategy of many Young Singles is to enhance their compensation through job and/or geographic mobility. This contributes to their psychological detachment in selecting a home as an investment. As Matt notes:

> *Clearly people aren't looking 30 years out… that's why the one year, five year, seven year ARMs are becoming so popular. I did the same thing. I said, I'm going to do a five year ARM and get a killer rate. I know I'm going to be gone by the time the ARM starts to flex again. So why not? I don't think anybody is thinking I'm going to pay this mortgage off in 30 years. At least in this particular vicinity.*

In contrast, several participants expressed their reluctance to buy a home due to uncertainty regarding their career plans. As Jason laments: *"I looked at a condo that was [selling] for $70,000 before the housing boom about seven years ago and I decided not to buy it because I never thought that I would be here. And here I am. That sense of career instability definitely makes it more difficult to make long-term plans."* Others question the imperative of home ownership. As Glenn commented:

> *[It is] weird to be a young person living in Washington, [D.C.] with this sort of housing bonanza, a psycho-frenzy thing going on. It's just so very tiring. Sometimes I feel like for me, yeah, having a house would be great but it's almost become something that I feel like we're being programmed to do, that it is [an unquestioned] part of the American Dream.*

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-Matt, 33

Significantly, Young Singles pride themselves as financially savvy, often attributable to their educational achievement and generational arrogance via their technological sophistication in the new economy. As a result, they tend to be financial risk-takers with little professional guidance. This tendency raises important questions about their ability to effectively manage their assets. As Glenn explains: *"There is a feeling that you can secure your future better than these companies [can]. Just look at all those people [who lost everything] with Enron."* This willingness to pursue financially aggressive and even risky investment strategies is echoed by Terak:

> *I studied finance… I learned about stock investments when I was 18 or 19. I took money that I saved since I was a kid and invested in stocks. It was $10,000. I made it into $80,000 in 2 years in stocks. But I had $150,000 invested because of margin and I lost all of it. Now I'm looking at the real estate market. I'm like, huh. I learned my lesson in the stock market. Should I sell my real estate that has gone up in value by 80 percent?*

The generational bravado of Young Singles tends to manifest in status anxiety as expressed through competitive consumption pressures. These include personal wardrobes, new automobiles, furniture, and other household accoutrements. As 26-year-old David, a real estate management professional, exclaimed:

> *I want to seem like the smartest person, the one that's going to give them the best deal, the most intelligent person so I'll go out and spend more money on a suit so it makes me look better when I come face to face with a client because it's the President of HP and she's sitting across the table. She's got on the best suit so, being so much younger, I kind of have to raise myself up… I certainly want to look better and project a better perception of myself.*

The emphasis of Young Singles on projecting an image of being "hip" and "successful" through lifestyle accessories is illustrated by Alesha, a 27-year-old MBA and HUD employee. According to Alesha, demonstrating success through lifestyle-based consumer purchases is paramount, *"…like with an iPod. It's all about the image and if you can project it, regardless of if you can afford it, or if you are getting the best MP3 player."* Alesha's annual salary is about $60,000 but she has $42,000 in debt mostly due to college expenses, plus an additional $8,000 in consumer debt. She continues: *"Where*

> ***You're taught constantly to have everything and if you don't have everything you don't fit in, if you don't fit in then you're nobody.***
> **-Jennifer, 27**

are our values? It's all about projecting that you can maintain a certain lifestyle even if you can't afford it."

Similarly, Eryn, who has approximately $7,000 in credit card debt, notes: *"I bought a brand new car when my [old] car was perfectly fine and I still owed money on the previous car… my older car was worth less than the trade [but] it was a prettier car. To me my automobile is everything. It projects the image of what I want people to think about me."* Jennifer, a 27-year-old airline employee, summarizes the underlying dynamics of competitive consumption that leads to escalating consumer debt levels: *"You're taught constantly to have everything and if you don't have everything you don't fit in, if you don't fit in then you're nobody. So all this insecurity grows and everybody feels that they have to have something, so as soon as they get a check they go out and keep up with the Jones."*

Balancing the Optimism of Youth with the Responsibility of Financial Independence:

A Beacon of Light at the End of the Financial Tunnel?

Despite this group's intellectual savvy, many are uncertain as to where to turn for financial guidance. The small number of Young Singles with financial advisors tends to defer to their professional expertise. However, most are not seeking professional advice and continue to rely on family members, followed by friends, for information regarding personal financial issues. As Eryn lamented: *"I think that they're the only people I can trust, my parents. And they don't know too much about it so it's like, where do I go?"* Overall, less than one-tenth of the participants rely on a professional financial advisor. Significantly, a much greater number of participants read financial publications and Internet sources than meet with trained experts for financial advice.

"Who do I go to at this stage in my life to learn how to figure how [financial] risk and interest work? I don't know where to go from here? How do I know that they are not going to screw me over or try to make money off me?" asks Jennifer, a 27-year-old North Carolina native, who does not have any student loan or other consumer debt. Another participant responded: "*Where do you go to trust someone that is going to tell you really what you should do. I can talk to my dad, but he's going to tell me what his [plan] is. Who do I go to at this stage of my life to learn?"* Jamal, a 35-year-old African-American event manager from Pittsburg complains, *"I look at financial education as one of the most important types of education that anyone can have in America; and I find it appalling that they don't teach it in high school. No one teaches you the repercussions of credit card debt – no one taught us this when we were in high school."* Although Jamal does not have any consumer debt, he still owes about $7,000 in student loans.

Finally, in terms of establishing a family in the near future, almost one-half of Young Singles indicate that their current debts will influence when they will be able to marry; about 40 percent expect that their debts will probably delay their plans to start a family. In fact, the participants reported that they expect to begin their families with substantial debt burdens. This suggests that psychologically they have accepted the integral role of consumer credit and debt in establishing their households—even with two incomes. As David explains: *"I think you go through three different phases. You go to debt, typically where people start. Then you figure out at some point how to get that turned around into a savings. Then you get comfortable in a savings mode where then you can move into the third stage, which is more of an investment mode."* Not surprisingly, few respondents have begun to develop retirement investment goals, despite the fact that 90 percent describe financial planning as either *"Important"* or *"Very Important."* This point is further demonstrated

Who do I go to at this stage in my life to learn how to figure how [financial] risk and interest work? I don't know where to go from here? How do I know that they are not going to screw me over or try to make money off me?
-Jennifer, 27

by the fact that more than 60 percent are already either *"Concerned"* or *"Very Concerned"* about saving for their future retirement. Participants also expressed skepticism about the future viability of U.S. government retirement programs such as Social Security as well as company-sponsored pension plans. Instead of resulting in more committed savings plans, 26-year-old Brian exclaimed: *"I think that I will have to work forever."*

Table 1

Hourly Wages of Entry-Level and Experienced Workers By Education: 1973-2003

(reported in 2003 dollars)

High School	1973	1979	1989	1995	2000	2003
Men						
Entry *	$12.61	$12.71	$10.30	$9.56	$10.46	$10.50
	18.03	18.20	15.92	15.27	15.90	15.98
	19.00	19.41	17.25	17.25	17.11	17.11
Women						
Entry *	$9.24	$9.39	$8.42	$8.14	$8.94	$8.94
	10.6	10.97	11.04	11.18	11.85	12.18
	11.05	11.29	11.62	11.72	12.46	12.99
College						
Men						
Entry **	$16.73	$16.75	$17.23	$15.98	$19.32	$18.64
34-40	26.99	26.03	25.49	26.12	28.93	30.58
49-55	27.82	28.86	28.66	28.96	29.8	30.26
Women						
Entry **	$14.02	$13.25	$15.00	$14.68	$16.40	$16.20
34-40	16.72	15.19	17.32	19.52	21.31	22.72
49-55	15.95	15.37	16.81	19.7	20.56	20.99

* Entry level wages measured as wage of those from 19-25 years of age.

** Entry level wage measured as wage of those from 23-29 years of age.

Source: *Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Hourly Wages of Entry-Level and Experienced Workers by Education, 1973-2003," The State of Working America, Ithaca: Cornell University Press, 2005, page 158.*

Table 2

Young Americans (25-34 years) in Debt Hardship: 1992-2001

(Debt Payment to Income Ratio Greater Than 40 Percent)

Income Group (25-34)	1992	2001
Overall	7.9%	13.3%
Income Group		
Under $10,000	37.1%	57.6%
$10,000 - $24,999	8.4%	22.3%
$25,000 - $49,999	6.7%	13.4%
$50,000 - $74,999	7.8%	5.2%

Source: *Demos calculations based on data from 1992 and 2001 Survey of Consumer Finances (SCF), cited in Tamara Draut and Javier Silva, Generation Broke, The Growth of Debt Among Young Americans, New York: Demos, 2004.*

ENDNOTES

[1] Robert D. Manning, "Multicultural Washington, D.C.: The Changing Social and Economic Landscape of a Post-Industrial Metropolis," *Ethnic and Racial Studies* (March 1998):328-355; Joel Garreau, *Edge City: Life on the New Frontier*, New York: Doubleday, 1991.

[2] Robert D. Manning, *Credit Card Nation, America's Dangerous Addiction to Credit*, New York: Basic Books, 2000, Chapter 4.

[3] As reported in Table 1, there have been some moderate wage gains for high school educated women over the last 15 years although real wages have declined among the youngest of these age cohorts. See Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Hourly Wages of Entry-Level and Experienced Workers by Education, 1973-2003,"*The State of Working America,* Ithaca: Cornell University Press, 2005, p. 158. Also, Stephen Henry Lopez, *Reorganizing the Rust Belt,* Berkeley: University of California Press, 2005 and Bennett Harrison and Barry Bluestone, *The Great U-Turn: Corporate Restructuring and the Age of Flexibility,* New York: Basic Books, 1988.

[4] Between 1979 and 1995, "real" (inflation adjusted) entry-level wages for young men (19-25 years old) with a High School degree fell from $12.71 to $9.56 per hour. In 2000, it had risen modestly to $10.46 and remained nearly constant at $10.50 in 2003. This trend is similar for young women with a High School degree. Their average entry-level hourly wage fell from $9.39 in 1979 to $8.42 in 1989 and has risen only marginally to $8.94 in 2003. See Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Hourly Wages of Entry-Level and Experienced Workers by Education, 1973-2003," *The State of Working America,* Ithaca: Cornell University Press, 2005, page 158.

[5] National Center for Education Statistics, based on data from U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys, 1972-2003 cited in Tamara Draut and Javier Silva, *Generation Broke, The Growth of Debt Among Young Americans*, New York: Demos, 2004, page 5.

[6] Tamara Draut and Javier Silva, *Generation Broke, The Growth of Debt Among Young Americans*, New York: Demos, 2004 and Alexis M. Herman, "Invasion of the College Grads," MonsterTrak, Young Money Interactive available at www.youngmoney.com/careers/monstertrack/job_hu7nt/053.

[7] According to Nellie Mae, average total undergraduate student debt among its borrowers rose 236 percent between 1991 and 2002 to about $18,900; for those attending graduate school, the combined student loan debt jumped to $34,900. See Sandy Baum and Marie O'Malley, *College on Credit: How Borrowers Perceive their Education Debt, Results of the 2002 National Student Loan Survey*, Nellie Mae: Braintree, MA, 2003. Also, credit card debt has jumped sharply with the average balance among student debt "revolvers" exceeding $3000 at graduation in the early 2000s. For a review of empirical studies on this topic, see Robert D. Manning and Ray Kirshak, "Credit Cards on Campus: Academic Inquiry, Objective Empiricism, or Advocacy Research," *Journal of Student Financial Aid*, Vol. 35, No. 3, (Spring, 2005), pages 39-48

[8] See Sandy Baum and Marie O'Malley, *College on Credit: How Borrowers Perceive their Education Debt, Results of the 2002 National Student Loan Survey*, Nellie Mae: Braintree, MA, 2003, 12.

[9] Heather Boushey and John Schmitt, *Hard Times in the New Millenium*, Washington, D.C.: Center for Economic and Policy Research, November 2003.

[10] Harvard University Joint Center for Housing Studies, "The State of the Nation's Housing," June 2003.

[11] U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey Tables for age 25-34, years 1991-1992 and 2000-2001, adjusted for 2002 dollars available at http://www.bls.gov/cex/home.htm.

[12] Tamara Draut and Javier Silva, *Generation Broke, The Growth of Debt Among Young Americans*, New York: Demos, 2004, page 5.

[13] Robert D. Manning, *Credit Card Nation, America's Dangerous Addiction to Credit*, New York: Basic Books, 2000, page 319.

[14] Tamara Draut and Javier Silva, *Generation Broke, The Growth of Debt Among Young Americans*, New York: Demos, 2004, page 5.

[15] Tamara Draut and Javier Silva, *Generation Broke, The Growth of Debt Among Young Americans*, New York: Demos, 2004, page 5.

[16] Teresa A. Sullivan, Deborah Thorne, and Elizabeth Warren, "Young, Old, and In Between: Who File for Bankruptcy?," *Norton Bankruptcy Law Advisor,* Issue No. 9A September.